

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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FM USLO PEKING

TO SECSTATE WASHDC 3233

INFO AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD KN

SUBJECT: NORTH KOREAN ECONOMIC PROBLEMS

1. IN CALL AT USLO THIS WEEK, JACQUES LANG, REPRESENTATIVE OF COMPAGNIE GRANIERE PARIS, MADE FOLLOWING COMMENTS ABOUT DPRK WHICH MAY BE OF INTEREST TO ADDRESSEES. LANG WAS PASSING THROUGH PEKING AFTER THREE WEEKS IN PYONGYANG.

2. LANG SAID THE REPUTATION THE NORTH KOREANS DEVELOPED IN RECENT YEARS FOR SCRUPULOUS IMPLEMENTATION OF CONTRACTS HAS GONE BY THE BOARDS. THEY ARE IN SERIOUS DEFAULT ON PAYMENTS TO EUROPEAN AND ESPECIALLY JAPANESE FIRMS AND BANKS, WITH PERHAPS DOLS20-40 MILLION NOW DUE AND UNPAID. THE HOTEL IN PYONGYANG, LANG SAID, WAS "FILLED" WITH FOREIGNERS THERE FOR TALKS WITH THE NORTH KOREANS ON PAYMENT PROBLEMS. THE MAIN DIFFICULTY, HE UNDERSTANDS, STEMS FROM POOR MANAGEMENT OF DPRK EXPORT SALES OF NON-FERROUS METALS (PRIMARILY ZINC). IN 1973 THE NORTH KOREANS WITHHELD SALES AS PRICES WERE RISING, BUT IN 1974 THEY

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MISSED THE PEAK, AND WHEN PRICES CONTINUED TO FALL

WITHDREW FROM THE MARKET HOPING FOR AN UPSWING WHICH DID NOT MATERIALIZE. AS A RESULT, THEIR NON-FERROUS METAL EXPORTS DECLINED, AND IN 1974 THE DPRK HAD A TRADE DEFICIT OF 400 TO 500 MILLION US DOLLARS.

3. LANG ORIGINALLY THOUGHT HE WAS INVITED TO PYONGYANG TO DISCUSS THE POSSIBLE SALE OF FRENCH WHEAT ON CREDIT (PEKING 0145), BUT INSTEAD FOUND THAT THE NORTH KOREANS WERE PRIMARILY INTERESTED IN MARKETING THEIR OWN GRAIN. THE NORTH KOREANS HAD A RECORD 1974 GRAIN CROP OF ABOUT 7 MILLION TONS, AND HAVE ABOUT 800 THOUSAND TONS OF RICE AND 200 TO 300 THOUSAND TONS OF MAIZE AVAILABLE FOR EXPORT. THEY HAVE SHIPPED THE USUAL SMALL AMOUNT OF RICE TO CHINA ("SEVERAL TEN THOUSAND TONS" FOR SOUTHERN MANCHURIA), AND HAVE SOLD 50-80,000 TONS TO INDONESIA, BUT MOST OF THEIR RICE IS OF POOR QUALITY AND VIRTUALLY UNSALEABLE IN THE PRESENT MARKET. NORTH KOREAN MAIZE IS NOT BAD, LANG SAID, BUT OF MIXED COLOR AND NOT IN DEMAND.

4. LANG'S REMARKS ARE CONSISTENT WITH COMMENTS ABOUT NORTH KOREAN PAYMENT PROBLEMS WE HAVE HEARD FROM OTHER TRADE REPRESENTATIVES IN PEKING (E.G. SWEDES AND AUSTRIANS) WHO HAVE RESPONSIBILITY FOR COMMERCIAL DEALINGS WITH PYONGYANG.
BUSH

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